

Processing payments for the purchase and sale of goods and services

There are several different ways in which payment can be made. A vast choice of systems can be used to part us from our money. We have come a long way since the times when goods were bartered!

Making cash payments



The cash payments involved here are those which consist of dollars and cents.

We are becoming an increasingly 'cashless' society with the implementation of methods of payment such as credit and EFTPOS cards. Cash still forms an important part of the economy, but, in the business world, we will see that it is not often used for legitimate business transactions.

There are various reasons for this:

- Cash can easily be lost or stolen
- It can be difficult to trace
- It is inconvenient to carry around

There will be times however, when cash is used and some businesses receive large amounts on a regular basis. Examples would be shops, supermarkets, doctors and dentists.

Businesses do not often pay accounts with cash. However, it can be useful for small purchases instead of writing out a cheque.

For this reason, most businesses implement a petty cash system. This involves keeping a specified sum of money in a box or tin. It can then be used to buy items such as tea or coffee or other low cost purchases that are necessary. The person responsible for looking after the petty cash must ensure that receipts are obtained for every purchase. All transactions have to be recorded in a petty cash book or analysis sheet, which must be regularly balanced.

A receipt must be obtained by a business when cash is paid for goods and services. Details must be recorded in the business records, usually in a cashbook or journal.

Receiving cash payments

If a customer uses cash to make a payment it is important that the person receiving the money prepares a record of the transaction.



When an organisation receives a cash payment they must complete a **numbered** receipt for the customer and keep a copy for the business. The reason for the payment should be specified on the receipt so that any transactions can be cross referenced eg an invoice number. Numbering receipts helps to prevent fraud.

Any money collected should be stored in a safe place, out of sight, and should be banked at the earliest opportunity.

When payment is received a *receipt* should be given. However, we have already seen that receipts are not given in all cases. If people pay by cheque, then they have proof of payment both on their cheque book butt and through their bank account records. However, it is good business practice to issue a receipt if somebody comes in to the business to settle an account.

RECEIPT		001	
Training Centre Ltd, 2091 Main Shore, P O Box 622, AUCKLAND			
GST No 24 556 214			
Date	Details	Total	
19 November 2006	Martha Mallone Ltd October account payment	221	61
Method of payment: Cash/Cheque No:849611.....		\$221	61
Signed:Joan Taylor.....			

This receipt clearly shows which account has been paid, how much was received and the method of payment. The person who received the cheque has also signed it.

The customer will receive the top copy of this receipt and the other copy will be retained for the business records.

Making payments by cheque

The most common method of payment used in New Zealand today is still that of paying by cheque. All businesses should operate a bank cheque account. This is an account that can be used on a daily basis to withdraw, deposit and transfer funds. A business cheque book is provided which is large enough to accommodate the needs of the business concerned. For this reason, business cheque books are larger than those used by private individuals.

Businesses pay accounts with cheques for various reasons:

- Convenience. It is easy to sit at a desk and write out cheques to each supplier
- Mobility. Cheques can be sent in the mail.
- Security. It can be proved that payment has been made.

All cheques have the same basic layout and features:



20 November 2006	Training Bank Limited		
Wilson & Taylor Ltd	TRAINING BANK Business Cheque Account		
October account	AUCKLAND, QUEEN STREET		20 November 2006
Balance Forward \$1059.67	Pay Wilson & Taylor Ltd		or bearer
Deposit \$ Nil			
Balance \$1059.67	The sum of Five hundred and forty dollars and 52 cents only		\$ 504.52
This Cheque \$540.52			
GST \$60.06			
Closing Balance \$519.15			
0657989	Cheque Duty Paid		
	0657989 00035719:		0003598- 00

NOT NEGOTIABLE